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EXAMINATION REPORT FOR DOCKET NO. 2012-357-A

THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF DURATEK, INC., FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS

On September 28, 2012, Chem-Nuclear Systems, LLC ("Chem-Nuclear") filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2012 and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2013, pursuant to Public Service Commission of South Carolina ("PSC" or "Commission") Order No. 2012-400 in Docket No. 2000-366-A.

Effective July 1, 2008, Pursuant to S.C. Code Ann. § 48-46-40 (A)(6)(a), (Rev. 2008 & Supp. 2012), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states, South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure ("institutional") activities parallel to its site disposal operating ("operational") activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear's application for reimbursement filed with the Public Service Commission.

The South Carolina Office of Regulatory Staff ("ORS") completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Fixed costs and Irregular costs for the fiscal year ending June 30, 2012. These adjustments were discussed with members of Chem-Nuclear's management who agreed with the propriety of the adjustments. ORS also determined that the reimbursable amount included for Variable costs for the fiscal year ending June 30, 2012 on the Application is materially correct and conforms to Commission rules and regulations.

A comparison of the allowable reimbursable costs to the amounts authorized by the PSC in Order No. 2012-400 dated May 22, 2012, was prepared by ORS Audit Staff. This comparison is attached herewith as Exhibit A. As shown on Exhibit A, ORS recommends that Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ending June 30, 2012, the following:

- \$ 2,876,147 in Fixed Costs
- \$ 669,420 in Variable Costs
- \$ 259,408 in Irregular Costs

In conjunction with procedures performed for the fiscal year ending June 30, 2012, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2012, and extending through December 31, 2012. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Projected Fixed costs for the fiscal year ending June 30, 2013. These adjustments were discussed with members of Chem-Nuclear's management who agreed with their propriety. ORS also examined Chem-Nuclear's Variable cost rates and Irregular costs for the fiscal year ending June 30, 2013, as listed in Exhibit AA. The Variable cost rates and Irregular costs are consistent with those filed in the Amended Application by Chem-Nuclear.



John Powers, Auditor
March 22, 2013

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2012

Exhibit A
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	<u>Per Amended Application</u>	<u>Commission Order No. 2012-400</u>	<u>Actual Costs Over (Under) Commission Allowed</u>
<u>Fixed Costs</u>			
Labor, Fringe and Non-Labor	\$ 1,643,902	\$ 1,530,000	\$ 113,902
Corporate Allocations (G&A)	648,695	515,000	133,695
Equipment Leases and Support	149,177	154,106	(4,929)
Depreciation	58,468	56,385	2,083
Insurance	341,596	427,031	(85,435)
Legal (License Appeal)	<u>34,309</u>	<u>71,726</u>	<u>(37,417)</u>
Total Fixed Costs	<u>\$ 2,876,147</u>	<u>\$ 2,754,248</u>	<u>\$ 121,899</u>
<u>Variable Costs</u>			
Vault Cost	\$ 437,861	\$ 417,257	\$ 20,604
Labor and Non-Labor Costs	<u>231,559</u>	<u>250,037</u>	<u>(18,478)</u>
Total Variable Costs	<u>\$ 669,420</u>	<u>\$ 667,294</u>	<u>\$ 2,126</u>

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2012

Exhibit A
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	<u>Per Amended Application</u>	<u>Commission Order No. 2012-400</u>	<u>Actual Costs Over (Under) Commission Allowed</u>
<u>Irregular Costs</u>			
Various Trenches (Design, Construct, and Backfill)			
Labor	41,800		
Non-Labor	151,062		
Total	<u>\$ 192,862</u>	<u>\$ 98,307</u>	<u>\$ 94,555</u>
License Renewal and Appeal Costs			
Labor	4,865		
Non-Labor	4		
Total	<u>4,869</u>	<u>10,000</u>	<u>(5,131)</u>
Decontamination & Corrective Actions			
Labor	-		
Non-Labor	-		
Total	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Site Engineering and Drawing Updates			
Labor	570		
Non-Labor	999		
Total	<u>1,569</u>	<u>3,000</u>	<u>(1,431)</u>
Site Assessments			
Labor	-		
Non-Labor	-		
Total	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Record Retention/Waste Tracking			
Labor	2,676		
Non-Labor	-		
Total	<u>2,676</u>	<u>-</u>	<u>2,676</u>
Other Irregular Costs			
Labor	14,405		
Non-Labor	38,782		
Total	<u>53,187</u>	<u>56,347</u>	<u>(3,160)</u>
Increased Security Controls			
Labor	191		
Non-Labor	3,793		
Total	<u>3,984</u>	<u>10,000</u>	<u>(6,016)</u>
Institutional Overage			
	<u>261</u>	<u>-</u>	<u>261</u>
Total Irregular Costs	<u>\$ 259,408</u>	<u>\$ 187,654</u>	<u>\$ 71,754</u>

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2013
To Date

Exhibit AA
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	<u>Per Amended</u>	<u>Actual Through</u>	<u>Difference</u>
	<u>Application</u>	<u>12/31/2012</u>	
<u>FIXED COSTS</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 1,721,953	\$ 919,049	\$ 802,904
Corporate Allocations (Management Fees/G&A)	661,669	292,710	368,959
Depreciation	58,468	28,192	30,276
Insurance	322,044	139,070	182,974
Equipment Leases and Support	137,918	64,599	73,319
Total Margin Costs	<u>2,902,052</u>	<u>1,443,620</u>	<u>1,458,432</u>

Fixed Costs to which 29% operating margin is not added:

Legal Support (license appeal)	35,338	7,281	28,057
Total Non-margin Costs	<u>35,338</u>	<u>7,281</u>	<u>28,057</u>
Total Fixed Costs	<u>\$ 2,937,390</u>	<u>\$ 1,450,901</u>	<u>\$ 1,486,489</u>

IRREGULAR COSTS

Trench Construction	\$ 116,390	\$ 17,068	\$ 99,322
License Appeal	10,000	20	9,980
Corrective Action	5,000	7,146	(2,146)
Site Engineering Drawings	-	688	(688)
Site Assessments	5,000	-	5,000
Miscellaneous	54,782	38,860	15,922
Increased Security Controls	-	5	(5)
Total Irregular Costs	<u>\$ 191,172</u>	<u>\$ 63,787</u>	<u>\$ 127,385</u>

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2013

Exhibit AA
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To Date
VARIABLE RATES

	<u>Costs</u>	<u>Variable Factor</u>
Variable Labor and Non-Labor Rates		
Vault Purchase & Inspection	\$ <u>186.79</u>	Per Vault
A B C Waste Disposal	<u>1,169.00</u>	Per Shipment
Slit Trench Shipment	<u>23,423.00</u>	Per Offload
Customer Assistance	<u>80.75</u>	Per Shipment
Trench Records	<u>325.00</u>	Per Container
Variable Material Cost Rates (Vaults)		
Class A Waste	\$ <u>40.29</u>	Per Cubic Foot
Class B Waste	<u>45.63</u>	Per Cubic Foot
Class C Waste	<u>49.62</u>	Per Cubic Foot
Slit Trench Waste	<u>156.19</u>	Per Cubic Foot